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Internet Helps Whittle Down Transactions Costs

Online managed care transactions help payer organizations slash costs from dollars to pennies while improving efficiency and accuracy.

By Bill Briggs, Senior Editor

Highmark Blue Cross Blue Shield has found a new way to relieve pain, both physical and fiscal. Its treatment authorization process enables provider organizations like The Center for Orthopedics and Sports Medicine, for example, to log on to the Internet and determine whether they will be reimbursed for giving an injection to an osteoarthritis patient to relieve chronic knee pain.

By making such information available online, Pittsburgh-based Highmark virtually eliminates an interim step that previously required the orthopedic specialty practice to contact the primary care physician for patient history data. Now, staff at the Indiana, Pa.-based Center for Orthopedics and Sports Medicine log on to the Highmark Web site, enter a password and click through to a page listing authorizations to confirm a patient's coverage for the injection.

No bother

"We can get authorization without bothering the primary care physician," says Jamie Pride, executive director at the Center. As a result, Highmark is relieving some administrative pain for all concerned. "If not for the Internet, we'd be calling the primary care physician, giving them the patient's history, and then they would call the payer." Highmark and many other payer organizations are trying to shift managed care transactions to the Internet in the interest of speed, efficiency, accuracy and, most important, cost savings. The beauty of this move to tap the Internet is that it potentially could pull down costs for providers, as well, and might eventually arrest the pace of rising insurance premiums for employers and consumers, industry observers say. Payers are moving a range of managed care transactions they conduct with providers to the Internet, including basics such as eligibility checks, referrals, treatment certifications/authorizations, and claims submissions and inquiries. These electronic managed care transactions, and others moving to the Internet, must comply with mandated standards under the Health Insurance Portability and Accountability Act's final transactions and code sets rule.

But some payers are going beyond the fundamental transactions conducted with provider organizations and offering medical reference information, fee schedules, diagnosis and procedure codes, health plan policy information, and clinical guidelines.

While most transactions are conducted with physician group practices, some payers also have automated transactions such as eligibility with hospitals. Further, many payers are using the Internet for member services, starting with physician selection and drug formulary information. And some are communicating online with employer groups. Bringing managed care transactions to the Internet has proven an expensive proposition for payer organizations. But many experts say savings from reduced telephone communications and increased administrative efficiency easily will recoup the investments.

Hang it up

Payer organization efforts to use the Internet for managed care transactions have a common purpose: to get the transactions off paper and off the telephone. Curbing expenses is the most viable option to improve health plans' financial picture in an industry where cost increases are fraught with negative publicity.

"There's no question that payers are focusing on cost reduction," says Steve Lowry, managing director at KPMG Consulting Inc., McLean, Va. "The cost of electronic transactions versus paper is significantly lower. A lot of paper used to 'flow' for referrals, and there is still a lot of paper-based pre-treatment certifications."

Only a few years ago, most payer organizations' Web sites were content-oriented, Lowry says. The past two or three years saw Internet-based transactions become a competitive factor as health plan members began to access data and perform such tasks as changing addresses or obtaining ID cards. "It was a natural extension to open a link to other stakeholders," he adds.

Payer organizations, particularly those with a million members or more, have been pumping up their cost-reduction activities in the last two to three years, says Michael Palmer, partner in charge of e-health at Accenture, New York.

"They've taken a shot at automating processes that cost them a lot of money," Palmer says. "Looking up information can cost payers anywhere from $6 to $22 dollars per transaction. Doing the same thing on the Web can cost pennies, depending on how they amortize the costs."

Cutting down—or eliminating—phone calls is the fast track to significant savings in the cost of doing business, Palmer adds.

Full load

Highmark Blue Cross Blue Shield, with 2.9 million covered lives, conducted a study of its telephone transactions costs that produced sobering results, says Augusta Kairys, vice president of provider relations. "It costs us $8.40 per phone transaction," she says. "That's fully loaded with overhead. The same transaction on the Internet costs less than 50 cents."

Highmark committed to online managed care transactions with the August 2000 implementation of an Internet-based information management system called NaviNet from NaviMedix Inc., Boston. As of January, more than 14,000 physician users carry out some 250,000 online transactions per month.

Highmark's provider organization customers can conduct a range of managed care transactions online, as well as access medical reference materials. Drug formulary information is available online and includes a drug-drug interaction check function, which has the potential to reduce medication errors, Kairys says. The health plan also is feeding back longitudinal data to help providers analyze their prescribing habits. If the provider organization has the means in place, physicians also can trigger electronic prescription delivery to a mail order pharmacy or an automated fax to the patient's retail pharmacy, she adds.

The NaviMedix system was Highmark's second generation of automated managed care transactions. It replaced Highmark's original Web-based referral and authorization system, which was one of the payer's many fragmented systems, Kairys says. The NaviMedix system brought multiple information systems together on a single platform, she explains.

BlueCross BlueShield of Tennessee also implemented a second generation Internet-based system for managed care transactions, which went live in April 2001.

The Chattanooga-based health plan has 2 million covered lives and is conducting managed care transactions on an Erisco Facets system from The TriZetto Group Inc., Newport Beach, Calif., says Bob Worthington, senior vice president of corporate and information services at the Blues plan.

The payer organization's first system was implemented in March 1998 and enabled providers to check eligibility, view all providers in the health plan and check claims status. Since then, online managed care transactions have gotten more sophisticated, Worthington says, offering more context and greater efficiency.

"We want to extend our enterprisewide internal processes, not just focus on transactions," he says. "We spent a lot of time redesigning processes and then building transactions to fit the system."

Glass houses

One of the most challenging technological aspects of moving managed care transactions online is that of integrating administrative—or "back-end"—information systems, many observers say. Worthington likens it to living in a glass house. "If your processes are not working well and you extend yourself out to the Internet, your cover is gone," he says. "There's instant visibility of how well—or poorly—you've done it."

For Blue Cross Blue Shield of Tennessee and many other payers, the greatest challenge to conducting managed care transactions online is the sizable investment. In "round figures," the payer organization has invested $1.5 million to $2 million a year for the last several years, Worthington says. Initial costs are usually high, depending on the payer organization's size, says Palmer, the Accenture consultant.

"We've seen clients spend $10 million to $100 million in the first two years," he says. "Plans with up to 2 million members are at the lower end and those with 5 million members can spend $25 million." Some of the largest national health plans with 18 million to 22 million members can spend more than $100 million in the first years of implementing online managed care transactions, Palmer adds.

Payer organizations typically acknowledge high expenditures for building Internet-based systems, but few offer specifics. The costs go beyond hardware and software, many say, and include process reengineering.

Before Harvard Pilgrim Health Care Inc. began implementing an Internet-based transactions system in March 2001, it faced the task of reevaluating how it conducted its business. "We're very pleased with the results, but we had to retool all of our business processes," says Vicki Coates, vice president of provider operations at the Wellesley, Mass.-based, 775,000-member health plan.

The growing payer push to the Internet gets an assist from the general population's infatuation with the medium. The Internet is absorbing some two million new users per month, according to a February report from the U.S. Department of Commerce. That translates to 143 million Americans, or about 54% of the population, online as of September 2001. Among those users, about 35% are looking for health information. To reach its constituents "where they live," and take advantage of the Internet's potential, Harvard Pilgrim Health Care partnered with Nashville, Tenn.-based vendor HealthTrio Inc. to develop an online transactions system.

All the hits

Patient eligibility checks were available first; that page on the payer's Web site tallies about 266,000 "hits" per month, Coates says. Referrals and authorizations went live in October 2001.

Like Harvard Pilgrim Health Care, payer organizations that have come up with the funds and solved the technological puzzles associated with moving managed care transactions to the Internet see promising results. As of February, Harvard Pilgrim's volume of telephone calls had dropped from 60,000 to about 40,000 per month.

Part of that reduction is the result of the payer's efforts to revamp some of its policies, Coates adds. She cautions against assuming all phone calls will be replaced by Internet-based transactions. "People call for all kinds of reasons," Coates says. "There isn't a one-to-one relationship, but there is a strong correlation." She notes that some providers say they never call anymore.

Reduced call center contacts is one of the most desirable benefits of online managed care transactions, says Worthington of BlueCross BlueShield of Tennessee, where online member eligibility and benefits inquiries climbed from a starting point in August 2001 of about 8,400 to 26,000 a month in January 2002.

Provider phone calls on patient eligibility, which Worthington termed "horrendous," used to range from 64,000 to 90,000 per month. In October 2001, Worthington counted 99,000 inquiries via the Internet, which was topped by January when 152,000 hits were recorded on the patient eligibility Web page. As a result, phone calls have dropped, though Worthington did not have current data on how much. "We hit a home run on the eligibility piece," he adds.

Meeting all needs

Meeting the needs of all participants was a primary target of Kaiser Permanente's Colorado Region when it implemented online managed care transactions in September 1999. The health plan differs from its Kaiser Permanente colleagues in that it operates as a network model HMO, one that contracts with independent area physician offices for services.

The majority of Kaiser Permanente's health plans operate under the group model, where the parent organization owns most of the facilities and provides the administrative functions.

Online managed care transactions worked well in the group model, which prompted the Colorado Region to pursue similar capabilities, says Debbi Williams, network development manager of the Colorado Springs-based, 400,000-member health plan. The plan conducts eligibility, treatment authorizations and referral processing online via a system from Meridian Health Care Management Inc., Woodland Hills, Calif.
Meeting multiple constituents' needs is just one of the benefits achieved by the Colorado Region, Williams says. "Timeliness and accuracy are equally important for our operations and for practitioners," she says. When a patient needs a referral to a specialist during an office visit to the primary care physician, 75% to 80% of the time the referrals automatically are authorized and the patient walks out the door with referral in hand, Williams says. "That satisfies both patients and providers."

Sidebar

Two for one: Online efficiency and HIPAA compliance

Payer organizations' desire to conduct managed care transactions online heated up at roughly the same time standards for electronic transactions and code sets were approved under the Health Insurance Portability and Accountability Act. As a result, many payers are ahead of the compliance game, industry observers say.

As health plans implement new Internet-based information systems to enable online managed care transactions—or update existing systems—they often are meeting HIPAA requirements at the same time. "HIPAA is a huge challenge to most payers, but in reality those provider transactions already were HIPAA-compliant," says Michael Palmer, partner in the e-health consulting division of New York-based Accenture.

Meeting both its own and its provider customers' HIPAA compliance needs has been one of Pittsburgh-based Highmark Blue Cross Blue Shield's goals, says Augusta Kairys, vice president of provider relations. Highmark implemented a new information system in August 2000 to upgrade its original online managed care transactions. The new system helps both parties comply, Kairys says.

"All HIPAA transactions are available in our system," she says. "A physician group practice doesn't have to invest in a software module to do eligibility checks and referrals."

HIPAA rules require private health plans, government health plans, including Medicare and state Medicaid programs, claims clearinghouses and any providers who elect to conduct the following transactions electronically, to use the standards for:

- Health claims and encounter information
- Enrollment and disenrollment in a health plan
- Eligibility for a health plan
- Health care payment and remittance advice
- Health plan premium payments
- Health claim status
- Referral certification and authorization
- Coordination of benefits

All electronic transactions must conform to formats under ANSI ASC X12N standards, Version 4010. Adherence to the standards for all but the smallest health plans will be enforced as of October 2003.

Many payer organizations contend that competitive factors and the desire for efficiency and resulting administrative savings are driving their push to conduct managed care transactions online.

Harvard Pilgrim Health Care Inc., for example, decided to move to online transactions, and in so doing concluded it would be best to anticipate the requirements of HIPAA. However, HIPAA compliance was a byproduct of the Wellesley, Mass.-based payer's I.T. plans, not the driving force, says Vicki Coates, vice president of provider operations at Harvard Pilgrim. "We believe real-time transactions will make administration simpler for both ourselves and providers," she explains.

When BlueCross BlueShield of Tennessee implemented its second generation Internet-based managed care transactions system, its twin goals were efficiency and fast response to its provider customers' requests, says Bob Worthington, senior vice president of corporate and information services.

"HIPAA compliance has been a significant factor in implementing our system, but that has not driven it," Worthington says. "All payers who are doing these things recognize that efficiency and responsiveness are very important, especially responsiveness."

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